



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 31, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo   
Auditor-Controller

SUBJECT: **SERENITY INFANT CARE HOMES, INC. – A DEPARTMENT OF  
CHILDREN AND FAMILY SERVICES FOSTER FAMILY AGENCY  
CONTRACT PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Serenity Infant Care Homes, Inc. (Serenity or Agency), which included a sample of transactions from January 2013 through July 2014. The Department of Children and Family Services (DCFS) contracts with Serenity to provide Foster Family Agency (FFA) services to recruit, certify, train, and support foster family homes.

The purpose of our review was to determine whether Serenity appropriately accounted for and spent FFA Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

DCFS paid Serenity approximately \$2,553,067 from January 2013 through July 2014 on a fixed-fee basis between \$1,430 and \$1,995 per child per month. Serenity paid \$1,261,595 directly to the foster parents, which meets or exceeds the State's minimum requirement. Serenity's office is located in the Fifth Supervisorial District.

**Results of Review**

Serenity recorded and deposited DCFS cash receipts timely. In addition, Serenity prepared their Cost Allocation Plan in accordance with their County contract and the

expenditures we reviewed were allowable, properly documented, and appropriately allocated.

Details of our review are discussed in Attachment I.

### **Review of Report**

We shared our report with Serenity and DCFS on March 17, 2015. Serenity's response is included in Attachment II.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including, but not necessarily limited to, Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report is being forwarded to DCFS in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Serenity management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:meb

### **Attachments**

c: Sachi A Hamai, Interim Chief Executive Officer  
Philip L. Browning, Director, DCFS  
Joseph Kelly, Treasurer and Tax Collector  
Jennifer J. Choctaw, Executive Director, Serenity  
Board of Directors, Serenity  
B. Ray Thomas, Manager, Program/Provisional Unit, CDSS  
Commission for Children and Families  
Public Information Office  
Audit Committee

**SERENITY INFANT CARE HOMES, INC.  
FOSTER FAMILY AGENCY PROGRAM  
FISCAL COMPLIANCE REVIEW  
JANUARY 2013 THROUGH JULY 2014**

**CASH/REVENUE**

**Objective**

Determine whether Serenity Infant Care Homes, Inc. (Serenity or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were prepared, and reviewed and approved by Agency management timely.

**Verification**

We interviewed Serenity's personnel, and reviewed their financial records and June 2014 bank reconciliations for two bank accounts.

**Results**

Serenity properly recorded revenue in their financial records, deposited Department of Children and Family Services (DCFS) cash receipts timely, and bank reconciliations were prepared, and reviewed and approved by Agency management timely.

**Recommendation**

**None.**

**EXPENDITURES/COST ALLOCATION PLAN**

**Objective**

Determine whether Serenity's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to the Foster Family Agency (FFA) Program were allowable, properly documented, and appropriately allocated as required by the Office of Management and Budget Circular A-122 (OMB A-122), the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook), and their County contract.

**Verification**

We interviewed Agency personnel, reviewed the Agency's Plan and financial records for 31 non-payroll expenditures, totaling \$53,923, charged to the FFA Program from January 2013 through July 2014.

**Results**

Serenity prepared their Plan in compliance with their County contract and their expenditures were allowable, properly documented, and appropriated allocated.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether Serenity maintained personnel files as required and if payroll expenditures charged to the FFA Program were allowable, properly documented, and appropriately allocated as required by OMB A-122, the A-C Handbook, and their County contract.

**Verification**

We compared the FFA payroll costs for nine employees, totaling \$14,784 for June 2014, to the Agency's payroll records and time reports. We also reviewed each employee's personnel file.

**Results**

Serenity maintained personnel files as required and appropriately charged the payroll expenditures reviewed to the FFA Program.

**Recommendation**

**None.**

**SEMI-ANNUAL EXPENDITURE REPORT****Objective**

Determine whether Serenity's June 2014 FFA Semi-Annual Expenditure Report (SAER) reconciled to their financial records and whether the Agency had any unspent County contract funds.

**Verification**

We interviewed Agency personnel, and compared their June 2014 SAER to their financial records.

**Results**

Serenity's FFA SAER reconciled to their financial records and did not include any unspent revenue.

**Recommendation**

**None.**

March 18, 2015



John Naimo, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Mr. Naimo,

On behalf of staff, board of directors, and the children and families we serve, I send our sincere appreciation for the valuable information we received during the recent Auditor-Controller audit for Serenity Infant Care Homes, Inc. Throughout Serenity's 25 years of service with DCFS, we have always viewed audits as opportunities for growth and to ensure that we remain in compliance with our contractual obligations. The auditors were extremely kind and helpful, yet very professional and thorough in collecting and evaluating our financial information. Please extend a 'Serenity Thank-You' to your staff and thank you for your role in maintaining quality of care for the most vulnerable, underserved children in our communities.

Committed to service,

A handwritten signature in dark ink, appearing to read "Jennifer J. Choctaw". The signature is fluid and cursive, with the first name being the most prominent.

Jennifer J. Choctaw, Co-founder/Executive Director  
Serenity Infant Care Homes, Inc.